

Message Text

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ACTION EB-07

INFO OCT-01 EA-07 ISO-00 AGR-05 CIAE-00 COME-00 INR-07

LAB-04 NSAE-00 SP-02 STR-04 TRSE-00 CIEP-01 FRB-03

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R 080853Z APR 76

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 3921

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E.O. 11652: N/A

TAGS: ETRD, RP

SUBJECT: COTTON CONTRACT PROBLEM

REF: STATE 083605

1. LAWSON AGENT (L.M. LOPEZ) NOT PLAYING GAME. HE HAS HEARD AND BELIEVES, THAT DBP WILL NOT PUSH TO SETTLE ANY REMAINING OVERDUES UNTIL SOME POSITIVE MOVE MADE BY STARKE TAYLOR TO AMICABLY SETTLE DISPUTE WITH SOLID MILLS. LOPEZ, OF COURSE, INTERESTED IN COMMISSION BUT IS SINCERE IN TRYING TO ELIMINATE OVERDUE CONTRACT FOR AMERICAN SHIPPER BY DEVISING MEANS ACCEPTABLE TO ALL INTERSTED PARTIES.

2. WASHINGTON WOULD HAVE TO UNDERSTAND CURRENT FINANCIAL CLIMATE IN PHILIPPINES FOR COTTON IMPORTATIONS TO APPRECIATE WHY LOPEZ AND INTERESTED MILL ARRIVED AT 68 CENT OFFER.

3. ON FEBRUARY 27, CENTRAL BANK RE-IMPOSED 50 PERCENT MARGINAL DEPOSIT OF FREE DOLLAR L/C'S. THIS MEANS THAT MILLS HAVE TO BORRWO 150 PERCENT OF L/C VALUE FROM BANK TO FINANCE COTTON IMPORTS. CCC LINE EXEMPT FROM MARGINAL DEPOSIT REQUIREMENT. THE 68 CENT OFFER IS A CALCULATION BASED ON CURRENT MARKET PRICE PLUS SAVINGS BY CIRCUMVENTING MARGINAL DEPOSIT AND ELIMINATION OF OPENING CHARGES.

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4. EVEN IF JAMES LAWRENCE HAD BEEN AGREEABLE, THE PURCHASING MILL AND LOPEZ WOULD HAVE HAD TO CONVINCE LIRAG AND DBP TO ACCEPT THE PROPOSITION.

5. COMMENT: AGATTACHE CONTRACTED GOVERNOR O'CAMPO TODAY TO CLARIFY PRESENT REPORTS FROM THE TRADE (LOPEZ AND AGENTIFROM PANAM, TONY DE JESUS), SUCH AS IN PARAGRAPH 1, THAT DBP WOULD NOT PUSH FOR OPEN L/C'S UNLESS STARKE TAYLOR AMICABLY SETTLE WITH SOLID MILLS. O'CAMPO CONFIRMED PREVIOUSLY REPORTED DBP POSITION THAT DBP WOULD CONTINUE TO PRESS FOR OPENING OF OVERDUE L/C'S REGARDLESS OF OUTCOME STARKE TAYLOR/SOLID MILLS DISPUTE.
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